

Robert Vrij, President  
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**May 6, 2009**

Dr. Bernadette McGuire-Rivera  
Associate Administrator, Office of  
Telecommunication and Information  
Applications  
NTIA  
U.S. Department of Commerce  
1401 Constitution Avenue, N.W.  
Washington DC 20230

Mr. David P. Grahm  
Associate General Counsel  
U.S. Department of Agriculture  
Rural Development  
Room 2017, Mail Stop 1423  
1400 Independence Avenue, S.W.  
Washington DC 20250

**RE: Response to Claims Made by Zhone**

Dear Dr. McGuire-Rivera and Mr. Grahm:

I am writing to respond to a letter dated April 2, 2009 by Zhone's CEO, Mory Ejabat, in which he concludes the American Recovery and Reinvestment Act's (ARRA) "Buy American" provision<sup>1</sup> is necessary for the creation of broadband stimulus-related jobs, because information and communications technology (ICT) manufacturing itself – and Zhone's in particular - is a critical driver in this regard. The facts simply do not support that position, and Alcatel-Lucent appreciates the opportunity to correct the record.

In arguing that ICT manufacturing itself plays a critical role in broadband stimulus, Mr. Ejabat seeks to discredit the U.S. investments of many global ICT suppliers, including Alcatel-Lucent. Mr. Ejabat claims that Alcatel-Lucent neither employs engineers nor manufactures products in the U.S. The facts are that Alcatel-Lucent USA employs more than 20,000 people in the U.S., a large portion of them in engineering jobs. The company manufactures in the U.S., and it invests heavily in research and development (R&D) in the U.S.

With particular respect to R&D, which lies at the heart of the U.S. innovation economy, Alcatel-Lucent's R&D arm, Bell Labs, is headquartered in New Jersey. With half of its scientists and researchers located in the United States, Alcatel-Lucent invests considerable resources in R&D in the U.S. annually. Bell Labs resides at the core of Alcatel-Lucent, where it designs products and services that are at the forefront of communications technology, and conducts fundamental research in fields critical to broadband communications. Every region, product group, and business division of Alcatel-Lucent thrives as a consequence of Bell Labs, as do our U.S. customers' networks, products and services.

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<sup>1</sup> American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115, § 1605 (2009) (ARRA).

Alcatel-Lucent's participation in the Broadband Technology Opportunities Program (BTOP) and RUS's broadband programs is the very participation needed to help grow the U.S. economy and promote job growth. Alcatel-Lucent USA's participation has more potential to grow the U.S. economy and promote U.S. employment in a far more measureable manner than Zhone's, given Zhone's *worldwide* employee base of 351 people.<sup>2</sup> Alcatel-Lucent USA employs 211 people alone in one manufacturing facility located in Longview, Texas. Clearly Mr. Ejabat's suggestion that participation in ARRA programs by a company like Alcatel-Lucent USA cannot serve U.S. economic and employment interests makes no sense, and is nothing more than a transparent attempt to promote the narrow interests of one company.

Having failed to demonstrate the facts leading to his own conclusion – that global ICT suppliers are not investing in the U.S., and therefore Buy American regulation of broadband manufacturing is critical to job creation – Mr. Ejabat's conclusion itself must be rejected. Broadband equipment is an important component of any next-generation broadband network, but the fact is *construction* labor makes up the overwhelming majority – from 70 to 90 percent -- of the cost of any such project and consequently is the most effective aspect of broadband deployment with respect to the jobs creation intent of ARRA. Broadband deployment is an effective way to provide immediate job stimulus for construction workers and technicians regardless of where the equipment came from. The percentages vary depending on where the network is being built and the technology being deployed, but the reality is that broadband deployment dollars primarily pay for jobs not equipment.

Alcatel-Lucent appreciates the opportunity to reverse the spin offered by Mr. Ejabat in his April 2<sup>nd</sup> letter with the facts. And the facts are Alcatel-Lucent USA is an American company, employing thousands of Americans, and investing in and committed to America's future. America would be well served to leverage the innovative capabilities and more than a century of expertise delivered by Alcatel-Lucent in building the communications infrastructure of our nation during this challenging period in our economic history.

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Sincerely,



Robert Vrij

President

Alcatel-Lucent Americas

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<sup>2</sup> As of March 31, 2009, including locations in N. America, Caribbean, Latin America, Europe, Middle East, Africa, and Asia Pacific. See [http://www.zhone.com/investors/faq/#bus\\_employees](http://www.zhone.com/investors/faq/#bus_employees) and <http://www.zhone.com/about/locations/>.